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Prime Minister's schedule, June 16

NIKKEI (Page 2) (Full)

June 17, 2009

09:00 Attended cabinet meeting in the Diet building. Internal Affairs and Communications Minister Sato remained.

09:16 Met with Chief Cabinet Secretary Kawamura and Environment Minister Saito. Kawamura remained.

10:00 Met at Kantei with Cabinet Office International Peace Cooperation Headquarters Chief of Secretariat Takada, followed by METI Vice Minister Mochizuki.

11:32 Taped a video for a general meeting of the National Federation of Small Business Associations.

12:54 Attended meeting of LDP Lower House members in the Diet

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building. Policy Research Council Chairman Hori remained. Met with Shimamura, special advisor to the LDP president.

13:05 Attended Lower House plenary session.

13:48 Returned to Kantei.

15:02 Met with Deputy Chief Cabinet Secretary Asano.

16:05 Met with Yoshihiro Katayama, vice chairman of the regional system Research commission. Met later with Azerbaijan Foreign Affairs Minister Mammadyarov.

17:45 Met with Kawamura.

18:41 Attended meeting of the Council on Economic and Fiscal Policy. Kawamura and Sato remained.

19:44 Met with METI Minister Nikai at Japanese restaurant Yamazato in Hotel Okura.

22:16 Returned to his official residential quarters.

4) N. Korea preparing to launch Taepodong 2

SANKEI (Top play) (Abridged)

June 17, 2009

North Korea is preparing to launch a long-range ballistic missile at a site in its northwestern region and at another site in its northeastern region, sources revealed yesterday. The two missiles are believed to be Taepodong-2 or advanced versions of Taepodong-2. Meanwhile, North Korea is also preparing to launch an intermediate-range ballistic missile in its southeastern region. The Defense Ministry also presumes that the North will shortly launch a new short-range ballistic missile. The ministry has decided to step up the Self-Defense Forces' radar warning and has also decided to ready the SDF to intercept missiles should the situation become imminent. The ministry is planning to deploy Patriot Advanced Capability 3 (PAC-3) surface-to-air guided missiles in the Tokyo metropolitan area and in the Kansai region.

In the run-up to missile launches, equipment for long-range ballistic missiles was confirmed to have been loaded into a freight train in late May at a munitions factory located near Pyongyang. South Korea's news media reported all at once that the missile equipment has arrived at a newly built missile site located in Dongchang-ri in the northwestern North Korean province of North Pyongan.

There are also signs indicating that long-range ballistic missile materials were also carried to a missile site located in Musudan-ri in the northeastern North Korean province of North Hamkyong, according to findings from the Japanese government's analysis and other sources. The government believes that North Korea is concurrently preparing to launch missiles at the Dongchang-ri and Musudan-ri sites.

In order to drop a warhead or booster in international waters, North Korea will likely launch a long-range ballistic missile from Musudan-ri. That missile, after being launched, is expected to pass across over Japan's northeastern districts like the one launched in April. The other long-range ballistic missile being prepared at Dongchang-ri is highly likely to be launched to the south, possibly

passing through over the Sakishima Shotō archipelago of islands. However, there is no knowing if the missile will be launched in that direction.

Some Japanese government officials surmise that the ongoing preparations at Musudan-ri or Dongchang-ri are dummy activities for

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a feint operation intended to confuse Japanese and U.S. intelligence gathering activities. However, the Defense Ministry is considering counteractions, assuming that North Korea will launch missiles from both sites. Earlier this week, the SDF switched its ground-based FPS-5 and FPS-3 radar to ballistic detection mode.

In order to intercept ballistic missiles with the missile defense system, an Aegis-equipped destroyer of the Maritime Self-Defense Force, loaded with Standard Missile 3 (SM-3) sea-based intercept missiles, will be staged in the Sea of Japan. However, the focus of concern, as in April, is on where to mobilize PAC-3 missiles. Last time, North Korea announced the ballistic missile's flight course, and the SDF deployed PAC-3 batteries in the Tokyo metropolitan area and the northeastern districts.

This time, North Korea is expected to make no announcement. The government will therefore be called upon to make an even more difficult judgment. However, the Defense Ministry will likely plan to move out the PAC-3 batteries to the metropolitan area and the Kansai region.

5) Special legislation incorporates fueling for foreign forces

ASAHI (Page 1) (Full)
June 17, 2009

The United Nations Security Council has now adopted a resolution of sanctions incorporating cargo inspections on the high seas for ships to and from North Korea. In the wake of this move, the government and the ruling parties are going to present a bill to the Diet during the current session for a special measures law to inspect ships related to North Korea. The draft bill stipulates ship inspections to be conducted by the Japan Coast Guard or the Self-Defense Forces. In addition, it incorporates the SDF's rear-echelon support for foreign forces.

The current ship inspections law is premised on recognizing "emergencies in the neighborhood of Japan" that will have a serious influence on the peace and security of Japan. The government does not regard the present situation as a neighboring emergency or contingency, so the draft bill bases the ship inspections and other relevant bills on the U.N. resolution. However, the bill, if enacted into law, will enable the SDF to engage in such activities as ship inspections and rear logistics like those that will be conducted in the event of regional contingencies in the periphery of Japan.

According to the draft bill, the SDF will conduct rear support activities in Japan's "territorial waters or in international waters around Japan," where the SDF will carry out refueling and personnel transportation. The SDF is expected to conduct underway replenishment or seaborne refueling services like those conducted by the SDF in the Indian Ocean for U.S. and other foreign naval vessels. These activities preclude providing weaponry and ammunition.

Meanwhile, the JCG or the SDF will conduct ship inspections at the prime minister's judgment and will inspect ships to check their cargoes with consent from their countries and their skippers. Inspected ships, if loaded with contrabands like missile-related materials, will be asked to alter course. These activities will be restricted to Japan's territorial waters or the high seas around Japan and will be clearly differentiated from the area of foreign

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naval activities, according to the draft bill.

Upon conducting these activities, the prime minister will call a cabinet meeting to adopt a masterplan that specifies ship inspections and rear support. The draft bill stipulates that the Diet is to give ex post facto approval and that the government is to ask the Diet for its approval within 20 days after the start of activities. The use of weapons is allowed for legitimate self-defense or emergency evacuation only.

The ruling parties will likely decide today to set up a project team, which will begin next week to put the finishing touches on the draft bill. However, if the bill is before the Diet, the House of Representatives' current membership will end Sept. 10. It is therefore unclear whether the bill will clear the Diet.

6) DPJ cautious about North Korean ship inspection law

ASAHI (Page 4) (Full)
June 17, 2009

There is a growing opinion in the Democratic Party of Japan (DPJ) that favors a cautious response to a bill on sanctions against North Korea, which the government and ruling parties are looking into submitting to the current Diet session. The DPJ predicts that Prime Minister Taro Aso is trying to expose differences in views on security policy in the party by presenting such a bill. However, the DPJ has yet to look into counterproposals.

Immediately after North Korea's nuclear test, the DPJ's foreign affairs and defense council proposed the need for a new law, prior to the government taking action. However, the directors of the panel in a meeting yesterday went no further than to confirm that the DPJ would come up with a view on legal improvements in cargo inspections on ships going in and out of North Korea, while watching the government's response. This is because Aso has remarked that his government will submit the bill as means of testing the DPJ's capability of assuming the political reins, since the disclosure of the move to submit the bill by the government-ruling coalition. DPJ President Yukio Hatoyama stressed at a press conference yesterday: "We will not give carte blanche. It depends on the content." He feels that if the Self-Defense Forces (SDF) is responsible for ship inspections, it will be difficult for his party to reach a consensus. Therefore, he said: "If the Japan Coast Guard takes on the mission, there will be a possibility that our party can approve."

7) Koike to resign as military base panel chairperson in protest over moderated expression on preemptive strikes

TOKYO SHIMBUN (Page 2) (Full)
June 17, 2009

In a meeting of the Liberal Democratic Party's Executive Council yesterday, Yuriko Koike said she will resign as chairperson of the party's Special Committee on Military Bases. The expression on possession of a capability to strike enemy bases - inserted in a report with recommendations for an outline of defense policy produced by a subcommittee of the party's National Defense Division - was rewritten to a more moderate one. In protest over the change, Koike decided to resign from the post.

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The report specified Japan's possession of an enemy base strike capability to counter North Korea's missile and nuclear threats. But reflecting complaints from party members who once served as defense agency director general or defense minister, the report added this proviso: "Japan will not launch a preventive/preemptive attack."

Koike criticized the proviso yesterday, remarking: "Japan will be caught in its own trap. Its deterrent capability will be undermined."

8) Koike resigns as LDP base issues committee chair in protest of "consideration for neighboring countries" restricting defense policy

Former Defense Minister Yuriko Koike of the Liberal Democratic Party (LDP) told reporters at the party headquarters that she had resigned as chair of the party's special committee on base issues. This was in protest of the inclusion of the passage that Japan will not make "preventive preemptive strikes" in the recommendation presented by the joint meeting of the LDP defense-related divisions to Prime Minister Taro Aso (LDP president) on the "possession of the capability to attack enemy bases."

This passage was included in the drafting process because a meeting of former Defense Agency directors general and defense ministers heeded the opinion of former Vice President Taku Yamasaki and others that Japan "should not arouse any misunderstanding from other countries." Attacking enemy bases is a type of "preemptive strike" within the scope of international law, the Constitution, and the exclusively defensive policy. On the other hand, "preventive preemptive strike" refers to attacking an enemy that does not represent an imminent threat but may become an intolerable threat if left alone. This is illegal under international law and had not been the assumption of the recommendation.

In response to Sankei Shimbun's query, Koike said: "We tie our hands with an exclusively defensive policy and further tie our hands with the passage on 'preventive preemptive strike.' They only talk about restrictions. Is it right that we continue to restrict Japan's defense policy? We give consideration to our neighbors but they don't give any consideration to us."

9) Government decides on additional sanctions on North Korea

The government formally decided on June 16 to enforce a complete ban on exports to North Korea as Japan's own additional sanction on this country after circulating the draft resolution among cabinet ministers. It also decided on reinforcing control on travels by Korean and other foreign residents in Japan to and from the DPRK. This is in reaction to North Korea's nuclear tests and ballistic missile launches and its refusal to take any concrete action toward resolving the abduction issue.

The export ban will take effect from June 18 to April 13, 2010, while the travel ban will take effect immediately and will be enforced indefinitely.

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At a news conference on June 16, Chief Cabinet Secretary Takeo Kawamura issued a statement on the sanctions against North Korea. He said: "If (North Korea) takes concrete action toward the resolution of the pending issues, including the abduction, nuclear, and missile issues, all or some of the sanctions will be suspended. We ask that it take such action promptly."

Since the ballistic missile launches in 2006, Japan has imposed sanctions on the DPRK, including a ban on imports. With the latest additional sanctions, trade between the two countries, both imports and exports, will be completely banned.

The travel ban is aimed at making the Korean residents in Japan, who have close links with the DPRK, abide by Japan's sanctions. Specifically, if found guilty of violating the sanctions, (1) re-entry of foreign residents of Japan who have traveled to North Korea will not be allowed; and (2) foreign seamen will not be allowed to embark.

List of Japan's sanctions on North Korea
(first two are sanctions newly added)

-- Complete ban on exports
-- Foreign seamen violating the sanctions will be refused embarkation in principle, and foreign residents violating the

sanctions who have traveled to the DPRK will be refused re-entry in principle.

-- Lowering the amount of fund transfer to North Korea requiring reporting from 30 million to 10 million yen

-- Lowering the amount of cash taken to North Korea requiring reporting from 1 million to 300,000 yen

-- Ban on port calls by all North Korean ships

-- Complete ban on imports

-- Ban on entry of North Korean citizens in principle

-- Ban on chartered flights between Japan and North Korea

-- Suspension of travel by Japanese civil servants to North Korea in principle and call for voluntary restraint by private travelers

-- Strict export control for the non-proliferation of missiles and nuclear weapons

10) Tokyo judge asks government to give reasons for claiming secret agreement during Okinawa's reversion does not exist

ASAHI (Page 31) (Abridged)

June 17, 2009

In the court case on information disclosure in relation to the "secret agreement" said to have been exchanged between Japan and the United States at the time of Okinawa's reversion to Japanese administration in 1972, Chief Justice Norihiko Sugihara of the Tokyo District Court told the government's representatives on June 16 that they "need to give a rational explanation of the reason" for claiming that the government "does not possess such documents," asking them to do so at the next hearing. This is an unusual order by a judge putting the responsibility to explain on the defendant, the government.

The Japanese government has consistently denied the existence of the secret agreement despite the fact that diplomatic documents attesting to this agreement were made public on the U.S. side. The government's stance will be called into question again through this

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litigation.

The 25 plaintiffs in this case include writer Hisae Sawachi and Rikkyo University lecturer Keiichi Katsura. They had requested the disclosure of documents on the Japanese side last September based on the Information Disclosure Law. However, the government's response was: "The archives were searched but there has been no evidence of such documents being written or obtained. They were also not found in the records of documents destroyed or transferred." They filed a lawsuit in March.

11) Aso finds no chance to rally, beset on all sides

TOKYO SHIMBUN (Page 2) (Full)

June 17, 2009

Seeing the recent sharp drop of public support ratings of the cabinet, members of the Prime Minister's Office supporting Prime Minister Aso are getting more desperate, but they remain unable to find a way to turn the tables.

Chief Cabinet Secretary Takeo Kawamura yesterday called on Yoshiro Mori and Yasuo Fukuda, both of whom have served as prime minister, at their offices and received advice from them about government administration.

Mori criticized Aso's replacement of Internal Affairs and Communications Minister Kunio Hatoyama over the reappointment of Yoshifumi Nishikawa as president of Japan Post Holdings Co., remarking: "I was worried that the situation could develop this way." Mori had suggested that both Hatoyama and Nishikawa should be dismissed. In the meeting with Mori, Kawamura became fully aware of how fiercely many Liberal Democratic Party (LDP) members have reacted to Aso. Fukuda, too, just said: "If he continues to perform his duty patiently as he has done so far, I think he will be able to get public understanding."

Kawamura visited LDP members who once served as prime minister and

factional chiefs when cabinet support ratings plunged in December of last year, but he failed to assuage growing criticism of Aso. The practice of visiting influential party members in an unmanageable situation is to show that the Prime Minister's Office has no settlement means.

Agriculture, Forestry and Fisheries Minister Shigeru Ishiba commented: "Many members have said that the dismissal (of Hatoyama) was improper." Other cabinet members have also voiced dissatisfaction at Aso's decision. But Aso has no plan to give an explanation of why he made the decision and intends to allow Nishikawa to stay on.

In the Prime Minister's Office, a close aide to Aso, while looking askance at Kawamura's efforts, desperately said: "It is inconceivable that cabinet support rate will go up sharply during his remaining term of office, which is drawing to an end."

12) Active election preparations underway; DPJ confirms campaign cooperative system; LDP rushing to open campaign offices

NIKKEI (Page 2) (Abridged)
June 17, 2009

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The ruling parties began gearing up yesterday for House of Representatives dissolution for the next general election. This is because support ratings for the cabinet of Prime Minister Taro Aso further dropped in many public opinion surveys and also because there is a growing view that Aso, alarmed at a move to unseat him, might dissolve the Lower House ahead of the July 12 Tokyo assembly election. But a cautious view remains in the Liberal Democratic Party (LDP) that an early dissolution would be suicidal in the face of the major opposition Democratic Party of Japan (DPJ), which is in a mood of an all-out battle.

DPJ President Yukio Hatoyama revealed this view to reporters yesterday: "If Prime Minister Aso wants to dissolve the chamber himself, we think that would happen in the next two weeks." Deputy President Ichiro Ozawa, too, made the following comment at a press conference in Nagoya: "There are 50-50 or 40-60 chances for the prime minister to dissolve the Lower House later this month or early next month, respectively."

The Diet is heading toward the enactment of key bills, including antipiracy legislation, on June 19 and the settlement of the remaining budget-related bills by June 26. If the Prime Minister dissolves the chamber by early July, chances will grow for an election in early August. At an executive meeting yesterday, Hatoyama ordered the formulation of the party's manifesto (campaign pledges) by July 2.

After much difficulty, the DPJ determined yesterday its official candidate for the Lower House Aichi No. 1 district. The party also formally decided on its official candidate for the July 5 Shizuoka gubernatorial election. Hatoyama met yesterday with the People's New Party representative Tamisuke Watanuki and chairman Yoshifumi Tsuge of the postal policy study group composed of members of the National Postmasters Association and confirmed election cooperation under the new system. The DPJ will also accelerate local stumping tours with executives, such as Tsuyoshi Takagi, president of Rengo (Japanese Trade Union Confederation), the DPJ's support organization.

In the DPJ, there is an observation that voters will continue to place its hopes on the Hatoyama leadership for three months at the longest. That is partially why the party is inclined toward an early dissolution. Some in the LDP think that an early dissolution would only please the DPJ. Even so, unable to project future developments, the LDP has to brace for the next general election.

Prime Minister Aso's local office has begun making preparations for opening several campaign offices in Fukuoka No. 8 district that includes Iizuka. Secretary General Hiroyuki Hosoda, too, intends to resume activities by July 1 of his campaign office in his home turf of Shimane No. 1 district.

The LDP finished last fall determining its official candidates for all single-seat constituencies except for Tochigi No. 3, which is represented by former Administrative Reform Minister Yoshimi Watanabe, who has left the party. The LDP leadership is now having difficulty finding an attractive catchphrase to counter the DPJ's slogan of a change of government.

13) Fall in cabinet's public approval rates rattles LDP

NIKKEI (Page 2) (Full)
June 17, 2009

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A sharp plunge in the support rates for the Aso cabinet has left the Liberal Democratic Party (LDP) shocked and shaken. When asked about Prime Minister Taro Aso's active support for LDP candidates running in the Tokyo Metropolitan assembly election by a Nihon Keizai Shimbun reporter, a senior LDP member said last evening: "The Prime Minister has probably made up his mind." The LDP member hinted at the possibility that if the ruling bloc is defeated in the Tokyo election, the situation could develop into the question of whether Aso should leave office. The senior member referred for the first time to the possibility of Aso's resignation as prime minister.

The Machimura faction in the LDP held yesterday a senior officials' meeting to exchange views on future political schedules. The view was raised that the cabinet should be shuffled before the next House of Representatives election.

After the meeting, one member told reporters: "We simulated a political schedule until October." The participant hinted at the possibility of delaying the Lower House election to October after the terms of the Lower House members expire. Former Chief Cabinet Secretary Nobutaka Machimura, former Prime Ministers Yoshiro Mori and Shinzo Abe, and Nariaki Nakayama, former Land, infrastructure, and transport minister, attended the meeting.

In a meeting yesterday of the LDP's Lower House members, Environment Parliamentary Secretary Sadahisa Furukawa criticized Aso's dismissal of Kunio Hatoyama as internal affairs and communications minister, noting: "Our party has definitely lost public confidence due to the Hatoyama problem this time." He even said: "In order to return to the origin of a conservative party, we should transfer power (to the opposition). This is the shortest way for our party to regain power," indicating the perception that the LDP should prepare for the situation where it would fall into the opposition.

Aso, too, attended the meeting. Furukawa has close ties to Hatoyama. Some viewed that he urged Aso to step down from his post by using the expression the transfer of power. Aso later told the press corps: "I did not understand what kind of power should be transferred. I thought that young lawmakers were feeling the tension."

14) Senior LDP member: If LDP defeated in Tokyo election, Prime Minister Aso's responsibility will be called into question

ASAHI (Page 4) (Full)
June 17, 2009

A Liberal Democratic Party (LDP) executive member said last evening regarding the Tokyo metropolitan assembly election on July 12: "Since Prime Minister Taro Aso has visited (candidates to give them encouragement), I think he has made up his mind (on what he will do) (if the LDP is defeated)." He indicated that if the LDP fails to secure the largest number of Lower House seats, the prime minister's responsibility will be called into question. He then said, "(Aso) should not go" to Shizuoka Prefecture to support the LDP-recommended candidate running in the Shizuoka gubernatorial election on July 5 although Aso is eager to do so.

15) JICA to resume overseas investment and financing project possibly this fall

ASAHI (Page 5) (Full)
June 17, 2009

The government in 2001 decided to end the Japan International Cooperation Agency's (JICA) overseas investment and financing projects, but it now has decided to resume such projects, possibly this fall. The decision has been included in the basic policy guidelines for the fiscal 2009 budget, which were presented on June 16. The government intends to promote financial assistance to projects Japanese companies are carrying out in developing countries with the aim of using such projects to help revitalize their economies.

JICA's investment and financing program targeted projects with major development effects but involving high investment risks. However, since the program continued to incur losses, it was abolished when JICA was subjected to reform of special public corporations. Natural resources development and the agricultural sector are expected to be eligible for the resumed JICA projects.

16) JAMSTEC to develop probes to locate undersea minerals

NIKKEI (Page 1) (Full)
Evening, June 16, 2009

Japan Agency for Marine-Earth Science and Technology (JAMSTEC) will develop unmanned probes that will search for mineral deposits in waters near Japan. The Ministry of Education, Culture, Sports, Science and Technology, which has jurisdiction over JAMSTEC, will invest about 3 billion yen in the project. The agency plans to develop two prototypes - one that scours the seafloor autonomously and the other that is remotely operated from a ship - during this fiscal year. JAMSTEC will also team up with Nissan Motor Co. to develop the next-generation technology for resource searching. This is the first time for Japan to develop full-scale probes in a bid to secure underwater resources. JAMSTEC aims to commercialize the probes in about 10 years.

The self-navigating probe will be able to autonomously operate at depths of up to 3,000 meters. It will install sensors that will analyze input such as underwater topography and seawater compounds, and locate mineral veins. To enhance mobility, the machine will be 4-5 meters long and run on long-lasting lithium-ion batteries.

JAMSTEC will work with Nissan to develop an advanced image-recognition device that will be installed on the probes. The device, based on the technology Nissan developed to help drivers park cars, will give the machines the ability to search in all directions, including underneath. A prototype of the device will be produced within a year.

Hydrothermal mineral deposits are belched out with hot water at depths of 500 to 3,000 meters. Valuable resources, such as gold, copper and gallium are included the deposits. It is said that in Japanese waters, there are deposits worth 80 trillion yen. The most promising sites are off Okinawa and Ogasawara islands.

17) China remains inactive one year after agreement reached on joint development of gas field with Japan

ASAHI (Page 4) (Excerpts)

June 17, 2009

June 18 marks the first anniversary of the Japan-China agreement to jointly develop gas fields in the East China Sea. However, joint development has yet to be started. Furthermore, talks to compile specifics of the agreement into a formal treaty have not even been started. While Japan is positive toward the project, the Chinese side appears to be unable to enter talks out of concern over a

dispute over interests in the South China Sea and its impact on public opinion.

Foreign Minister Nakasone during a press conference on June 16 said, "It is very regrettable that talks to sign a treaty have not started yet."

The situation was different a year ago, when the agreement was reached. Then Foreign Minister Komura had proudly said, "This is a good opportunity for Japan and China to show that they can settle any difficulties through talks." Concerning the mapping out of a treaty, he had said, "It will not take a long time."

However, a foreign ministry official said that the ministry is not concerned about the current impasse.

When both countries reached the agreement in June last year, they reached a consensus on capital participation by Japan in the development of the Shirakaba gas field (Chunxiao in Chinese), which China had already begun developing. As a result of the agreement, the development by China was suspended until the time a treaty was signed, eliminating Japan's concern that resources on the Japanese side of the oil field would be siphoned off by China. The area straddling the median line, which Japan claims to be the demarcation line between Japan and China in the exclusive economic zone in the East China Sea, became the target of the joint development. A senior foreign ministry official revealed that since Japan's stance was adopted, the agreement was highly praised as a victory by Japan.

In the meantime, the Chinese side is hardening its attitude. Division director-level officials of the Japanese and Chinese foreign ministries met informally in late May. A senior official of China's newly established bureau responsible for national border and marine affairs was in charge of the meeting on the Chinese side. According to Chinese Foreign Ministry Spokesman Ma Zhaoxu, this bureau is a highly specialized organ established to settled border issues in various parts of China.

There is a strong possibility that behind China's stance is the territorial dispute in the South East Sea, in which China is contending with Vietnam and the Philippines. A diplomatic source in Beijing speculated, "The Chinese government is afraid that its concession made over the East China Sea will affect the South China Sea issue." A source connected with the Chinese government revealed: "The agreement was reached thanks to then Prime Minister Fukuda, who attaches importance to relations with China. It is impossible for China to press ahead with risky talks with Prime Minister Aso, because he will dissolve the Diet anytime soon."

18) Top priority issues added to draft basic policy guidelines on prime minister's orders: Spending cuts recede further

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Draft basic policy guidelines on economic and fiscal management and structural reforms for the fiscal 2009 national budget were presented on June 16 at a meeting of the government's Council on Economic and Fiscal Policy, chaired by Prime Minister Taro Aso. Although the government did not change its stance of continuing its regular efforts to cut spending in the next fiscal year's budget, it decided to add immediate top priority issues, such as advancing efforts to strengthen social security, on the prime minister's orders. Kaoru Yosano, who is in charge of economic and fiscal policy as well as financial services, indicated his intention to set up a special framework when compiling a budget for the next fiscal year and intensively inject budgetary funds into it.

This development is in response to mounting pressure from the ruling parties to boost spending in the run-up to the upcoming general election. As a result, the spending reform policy line based on fiscal reconstruction has suffered a further setback.

The prime minister ordered the inclusion of two priority issues -

overcoming the economic crisis and realizing a secure society. An immediate effort to maintain jobs, an approach to promoting private-sector investment in environment-related markets, the advance implementation of social security measures such as medical services and pensions, and promoting measures to deal with the declining birthrate, were added. In compiling the basic guidelines for the fiscal 2009 budget, many ruling party members are calling for shelving the guidelines of the fiscal 2006 budget, which indicate specific goals for spending reforms. In particular, strong opposition continues to an annual reduction of 220 billion from natural increases in social security expenditures.

Yosano, during a press conference after the meeting, indicated his stance of maintaining the goal to cut social security expenditures. However, he also said, "The finance ministry should provide an appropriate response." He indicated a policy of setting up a special framework in budget request guidelines for the next fiscal year to be adopted in July and intensively injecting budgetary funds into it.

The government intends to search for common ground with ruling party lawmakers who are against the idea. However, whether a settlement can be reached still remains to be seen. The goal to cut expenditures has been chipped away at without debate in past budget compilations. Some finance ministry members said that if the situation is left as it is, it would be impossible to maintain fiscal discipline.

Spending cut goal indicated in fiscal 2006 basic policy guidelines

"Total of between 11.4 trillion yen and 14.3 trillion yen in expenditures to be cut over five years from fiscal 2007 through fiscal 2011."

Q Social security spending: 1.1 trillion yen to be cut (220 billion yen a year)

Q Payroll cost for public servants: 2.6 trillion yen to be cut

Q Public works: Annual 1 PERCENT -3 PERCENT cut in comparison with each of the previous years' levels

Q ODA: Annual 2 PERCENT -4 PERCENT cut in comparison with each of the previous years' levels

Q Science and technology promotion expenditures: To be constrained

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within the scope of economic growth

ZUMWALT